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The Secretary of Agriculture

Acting pursuant to the Act of Congress approved January 22, 1932, creating the Reconstruction Finance Corporation

FARMERS' SEED LOAN OFFICE

HOW CAN I GET A CROP-PRODUCTION LOAN?

In the following paragraphs the principal questions which are likely to be asked by farmers who wish to get a loan from the Secretary of Agriculture for the purchase of supplies necessary for crop production in 1932 are answered briefly. No attempt is made to give full details of the general regulations which are contained in a circular (Form No. 1) issued by the Secretary of Agriculture under date of February 10, 1932.

1. What is the authority for these loans?—The Secretary of Agriculture is authorized to make loans to farmers in the several States of the United States for crop production in 1932 where he shall find that an emergency exists as a result of which farmers are unable to obtain loans from any other source. Such loans will be made upon such terms and subject to such regulations as he prescribes, including an agreement by each farmer to use the funds thus obtained by him for crop production. This authority is provided in section 2 of the act of Congress approved January 22, 1932. (Public No. 2, 72d Cong.)

2. Where can I make application for a loan?—Several offices for the handling of applications for loans have been established. These offices, together with the States which they serve, are as follows:

Washington, D. C., for the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, New York, Michigan (for all counties east of Lake Michigan), Ohio, New Jersey, Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida.

Memphis, Tenn., for the States of Alabama, Arkansas, Louisiana, Mississippi, and Tennessee.

St. Louis, Mo., for the States of Indiana, Illinois, Kentucky, Missouri, Kansas, Oklahoma, and Eastern Colorado to a line running west of Larimer, Grand, Summit, Lake, Chaffee, Fremont, Custer, Huerfano, and Costilla Counties.

Dallas, Tex., for the States of Texas, New Mexico, and Arizona.

Minneapolis, Minn., for the States of Iowa, Minnesota, Nebraska, North Dakota, South Dakota, and Wisconsin, eastern Montana to a line running west of Glacier, Pondera, Teton, Cascade, Meagher, and Broadwater Counties, and Michigan, for those counties included in the Northern Peninsula.

Spokane, Wash., for the States of Washington and Oregon, Idaho north of and including Idaho County, and western Montana to a line running east of Flathead, Lewis and Clark, Jefferson, and Madison Counties.

Salt Lake City, Utah, for the States of California, Nevada, Utah, Wyoming, the State of Idaho south of Idaho County, and western Colorado to a line running east of Jackson, Routt, Eagle, Pitkin, Gunnison, Saguache, Alamosa, and Conejos Counties.

Application blanks and other necessary forms have been sent to county committees or other designated representatives and will be distributed by them for the use of the applicants.

3. What is the security required?—Each individual who obtains a loan for crop production in 1932 must give an absolute first lien on all of the crops growing or to be grown by him in 1932 in such form as to entitle it to filing in the county in which he resides.

4. How large a loan can I obtain?—The largest amount which can be loaned to an individual is \$400. The amount loaned will be based on the requirements of the applicant for seed, fertilizer, feed for work stock, and fuel and oil for tractors, and other necessary supplies, and the acreage of crops on which he gives a crop lien to secure the payment of the loan made to him. Loans may be approved in less

amount than that for which application is made. Loans for crop production in counties where fertilizer is not commonly used will be made at rates per acre based on the approximate cost of the supplies required, but in no case in excess of \$3 per acre for general field crops and not in excess of \$12 per acre for truck crops, including potatoes and sweetpotatoes. Loans for the purchase of fertilizer will be made only in those counties where its use is deemed necessary by the representatives of the Department of Agriculture. Loans in such counties will be based on the approximate cost of all the supplies necessary for crop production, including fertilizer, but in no case in excess of a total amount of \$6 per acre for general field crops, \$10 per acre for tobacco, and \$20 per acre for truck crops, including potatoes and sweetpotatoes. Not to exceed \$1 per acre of loans for crop production made at any of the foregoing rates on the acreage of crops included in the mortgage or crop lien given to the Secretary of Agriculture as hereinafter provided may be used for repairs and miscellaneous expenses of crop production other than seed, fertilizer, feed for work stock, and fuel and oil for tractors used in crop production. In addition to the foregoing loans will be made in amounts not to exceed \$2 per acre for the purchase of materials for spraying and dusting to protect cotton and tobacco from insects and plant diseases, \$4 per acre for spraying and dusting truck crops, and \$25 per acre for fertilizer and spraying and dusting materials for bearing fruit trees and vineyards. The right is reserved to make loans at rates lower than the foregoing maximum allowances. The application must state specifically the purposes for which the proceeds of the loan are to be used.

5. What must I do in order to obtain a loan?—You must make application on Form No. 2 furnished by the Secretary of Agriculture and accompanied with a note (Form No. 3), crop mortgage or lien, etc., as detailed in answer to question 10 (Form No. 4) and voucher (Form No. 5) on the proper forms, sending all to the regional office for your State as shown in answer to question 2.

If the applicant for a loan is a tenant, or is farming land under contract for deed or so-called crop contract, or has given a prior mortgage on his 1932 crop, he must secure the waivers of the actual owners of the land, his landlord, and/or all prior mortgage holders in the space provided on the mortgage form for the purpose. If the applicant is the owner of the land and farms it with tenants or share croppers, waivers of such tenants or share croppers must be secured in the space provided on the mortgage form for the purpose. If the applicant leases the land from another and in turn operates it with tenants or share croppers, waivers of both the actual owner of the leased land (unless the rental of said land has been paid) and of said tenants or share croppers must be secured in the space provided on the mortgage form. In all cases where waivers are required (except from tenants and share croppers) the person waiving must certify that at the time of signing such waiver he is in actual possession and owner of any rent note, mortgage, land sales contract, or other paper, and must enter into an agreement on this form that he will not assign, transfer, hypothecate, or sell such security without first having secured the written consent of the duly authorized agent of the Secretary of Agriculture; and further, that in the event advances are made in compliance with pertinent regulations of the Secretary of Agriculture, for the purpose of harvesting and marketing the said crops, it is agreed that the money so advanced may be repaid from the proceeds derived from the sale thereof prior to the satisfaction of any lien, claim or interest of the signor.

6. What does the application blank require?—The application blank requires a statement of the amount of the loan desired, the number of acres for which seed and fertilizer is to be purchased, the amount desired for feed, and/or the amount desired for fuel and oil for tractor operation. It also requires a statement of the amount of the loan which is to be used for the purpose of making repairs or the purchase of other supplies necessary for crop production in 1932. The sum total of the individual items must not exceed the maximum rates per acre for such crops as set out in the regulations and in paragraph 4 of this circular. It requires a legal description of the land on which these crops are to be planted, together with a statement of the acreage of crops grown by the applicant in 1930 and 1931 and the yields obtained, together with a statement of seed and feed which the applicant has on hand at the time of making application with which to start farming operations for 1932. It also requires an agreement to use the money loaned for the purchase of necessary supplies for crop production in 1932 on the land described and a further statement to the effect that the applicant does not have the means or credit with which to secure the necessary supplies for crop production in 1932 and that if he does not obtain the loan applied for he will be unable to farm in 1932. It also exacts a promise from the applicant that he will notify the regional office in the event he is not able for any reason to plant and cultivate the full acreage of all crops specified.

7. What are the penalties for false representation in obtaining this loan?

The law provides that any person who shall intentionally make any material false representation for the purpose of obtaining an advance, loan, or sale, or of assisting in obtaining such advance, loan, or sale under this resolution shall upon conviction thereof be punished by a fine not exceeding \$1,000 or by imprisonment not exceeding six months, or both.

8. What is required after the application is completed and signed?—After the application is completed it should be signed by the applicant with his usual business signature together with his mail address and should be sworn to before an officer authorized to administer oaths. The community committee certificate should then be filled in and signed by at least two members of the community committee in those counties where such committees are designated. The application and other papers should then be sent to the county committee, which should fill in and sign the county committee certificate and forward the application to the proper regional office as shown in answer to question 2. Full publicity will be given in local newspapers to the names and addresses of all members of the community and county committees.

9. What is the note?—The note is a promissory note (Form No. 3), supplied by the Secretary of Agriculture, executed in the amount of the application (not to exceed \$400), maturing November 30, 1932, and bearing interest at the rate of 5½ per cent per annum.

10. What is the mortgage or lien?—Crop pledge in Louisiana; seed lien in Minnesota, Montana, North Carolina, North Dakota, and Virginia; agreement to execute crop mortgage in Colorado, Delaware, Illinois, Kansas, Kentucky, Maryland, Massachusetts, Nebraska, New York, Ohio, Rhode Island, and Wisconsin; and crop mortgage in Alabama, Arizona, Arkansas, California, Florida, Georgia, Idaho, Indiana, Iowa, Maine, Michigan, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, and Wyoming, upon the crop growing or to be grown on the land described in the application for 1932, in favor of the Secretary of Agriculture, duly executed by the applicant in such manner as to entitle it to filing, and securing payment of the above-mentioned note. The mortgage or lien contains a provision authorizing the Secretary of Agriculture, through an agent designated by him, in the event the applicant fails to protect and at the proper time to harvest the crop mortgaged, to enter upon the premises and harvest the same, and to sell the crop to satisfy the lien of said mortgage and expenses incurred thereunder from the proceeds of the crop. Crop mortgages, pledges, or liens shall be executed on forms supplied by the Secretary of Agriculture and shall be filed in the proper office under the State laws applicable. The Secretary of Agriculture files the mortgage or lien and pays the filing fee. These instruments shall be prepared and signed in duplicate (except in North Dakota, South Dakota, Montana, and Minnesota), the original being fully executed and both copies transmitted with the application. In the four States last mentioned the proper document must be prepared in triplicate, one copy to be retained by the applicant. As the laws of Colorado, Delaware, Illinois, Kansas, Kentucky, Maryland, Massachusetts, Nebraska, New York, Ohio, Rhode Island, and Wisconsin require that a crop must be planted and growing before a legal crop mortgage can be given, applicants living in those States must sign an agreement to execute and deliver a crop mortgage on growing crops at the proper time. The crop mortgage, or lien, therefore, is not required from applicants for loans in these States at the time the application is filed.

11. Can a tenant obtain a loan from this fund?—In order for a tenant to obtain a loan from this fund his landlord must sign the waiver, which is a part of the mortgage form, but in no case will a tenant be granted a loan if his landlord has applied for or has been granted a loan. The total of all loans to tenants of any one landlord within a single county shall not exceed \$1,600. In this connection also attention is called to the second paragraph in reply to question 5.

12. What is the voucher?—The voucher (Form No. 5) is the record of the transaction on which payment is made by the special disbursing agent. This should be filled in down to the space provided for the applicant's signature and should be signed by him. The voucher should not be submitted in duplicate.

13. When and how will the money be advanced?—The right is reserved to make payment of the loan in installments. On receipt of the complete documents and approval of the application by the designated agent of the Secretary of Agriculture at the proper regional office, initial payment on the loan will be made. The amount of each installment will be determined by the Secretary of Agriculture through a designated agent. Initial payment will be made at the time the loan is approved, and subsequent installments will follow at stated intervals only

if the expenditure of the initial payment is shown to be properly made through the transmission of a report on a card furnished by the Secretary of Agriculture. The application includes an agreement by the applicant to submit invoices, sales slips, or receipts as evidence of such expenditures, where these papers may be requested. The interest on the several installments from the date of payment to the maturity date of notes will be deducted from the last installment.

14. **Why has the installment plan been adopted?**—The installment plan has been adopted for the protection of both the Secretary of Agriculture and the borrower. Expenditures for crop production are made over a considerable period, so that the full amount of the loan is not needed at the beginning of the planting season. Previously, when the entire amount of the loan was paid in a lump sum, in many cases part of it not needed for immediate use for crop-production purposes was diverted to other uses, often being applied to the payment of old debts.

15. **Will the installments be paid automatically?**—Before the second installment is paid, the borrower is required to report to the regional office how the first installment has been expended. A form will be furnished for such a report at the time the first check is sent. In the case of loans paid in three installments, the right is reserved to ask an accounting for the second installment before the third is paid. In order to secure subsequent installments, the borrower must report expenditure of the initial installment not later than June 1, 1932.

16. **What rate of interest is charged on the loans?**—Interest at the rate of 5½ per cent will be charged on all loans. As all notes are due November 30, 1932, interest from the date of approval of the loan to November 30 will be deducted from the principal of the loan when the advance is made. In the case of advances made in installments, interest on the entire loan will be deducted from the final installment, the interest on each installment being figured from the date the advance is made to November 30. Loans or balances not paid on November 30 will bear interest at 5½ per cent from that date until paid. This plan was adopted to relieve buyers of crops mortgaged to the Government from the work of figuring interest on installments. Where full repayment is made before maturity date, a refund will be made of unearned interest.

17. **What will be the action taken if an application is received in incomplete or incorrect form?**—If an application is received which is not complete either as to the application form itself or as to the note, mortgage or voucher, all documents will be returned promptly with a statement of the action necessary. When again received in proper form the application will be handled promptly, but final action can not be taken until all the necessary papers are complete and correct. Delays will, therefore, be avoided if the applicant and the local committee will go over all the forms carefully before sending them in. As all papers in connection with a single application will be stamped with a serial number on receipt, the same form which is sent back for correction or completion must be returned.

18. **If my application is granted for a less amount than that for which I apply, how will that fact be indicated?**—On approval of your application you will be notified of the amount for which your loan is approved. If this is less than the amount for which you applied, proper credit for the reduction will be shown on your note, mortgage, and voucher.

19. **If an application is finally disallowed, what will be done with the papers?**—If an application is finally disallowed for any reason, the note, mortgage, and voucher will be returned to the applicant. The application itself will be retained as a part of the records in the case.

20. **When and how is the loan to be repaid?**—The notes are due and payable November 30, 1932, or sooner if the crops covered by the mortgage are sold prior to that date, and will bear interest at the rate of 5½ per cent per annum. As noted in the reply of questions 13 and 16, interest to November 30, 1932, is deducted at the time the last advance is made on the loan. Full instructions as to the methods of payment will be sent to each borrower before November 30, 1932.

ARTHUR M. HYDE,

*Secretary of Agriculture, acting pursuant to the Act of Congress approved
January 22, 1932, creating the Reconstruction Finance Corporation.*

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